

**STATEMENT OF MASON M. BISHOP  
DEPUTY ASSISTANT SECRETARY OF LABOR  
FOR EMPLOYMENT AND TRAINING  
FOR THE  
COMMITTEE ON WAYS AND MEANS  
U.S. HOUSE OF REPRESENTATIVES**

**June 14, 2007**

Mr. Chairman and Members of the Committee, I am pleased to have the opportunity to discuss the reauthorization of the Trade Adjustment Assistance (TAA) program. Since the 2002 reauthorization of TAA, the Department of Labor has worked with the states and the public workforce investment system to help trade-impacted workers by providing job training assistance and income support. Over this time, we believe we have gained valuable insights into the ways TAA can be administered to assist trade-impacted workers more effectively.

**INTRODUCTION**

We are currently in the midst of historic economic transformation based on advances in communications and information technology. Innovation and high technology have created well-paying career opportunities. However, this requires American workers to have greater education and more advanced skills, which creates a growing policy imperative with regard to workforce investment in our nation.

This reality is reflected in the economic projections produced by the Department. Nearly two-thirds (12 million) of the 19 million new jobs created over the next decade will require some post-secondary education and training—a dramatic increase in the overall education level required of the U.S. population. Young people must stay in high school and have avenues to access postsecondary education, and our current workforce must find ways to improve and update their skill sets.

As the U.S. continues to face economic transformation due to technology and globalization, increased flexibility is critical for our workers and communities to be responsive to these changes. The reauthorization of TAA offers an opportunity to increase the flexibility and effectiveness of the program by streamlining it and providing trade-affected workers with the skills and specialized knowledge most in-demand by industry. The TAA program has the potential to bolster our overall competitiveness while serving the needs of our workers, but it must be reexamined in light of the new realities of our regional labor markets and the new challenges of the 21st century global economy.

An improved TAA program can be an important tool for keeping our nation's workforce competitive. Business leaders have told us that their most critical challenge in growing their companies is finding and hiring workers with needed skills and retaining those skilled workers. Considering that the Department certified close to 120,000 workers last year for TAA benefits, and that, on average, those workers had 10 years of work experience, we know that TAA can be part of the solution to helping workers obtain additional skills and meet the workforce needs of businesses.

TAA can provide the training and support needed to help trade-affected workers become an asset in their community's response to an economic shock. The federal government invests nearly \$1 billion every year in TAA funds that provide training, income support, job search and relocation assistance, wage subsidies for older workers, and the Health Coverage Tax Credit (HCTC) to certain workers whose job loss relates to foreign trade. These funds provide workers with the help they need to improve their opportunities to return to work in high skill jobs that pay good wages.

However, the TAA program is just one tool in a larger workforce development toolkit. Every year, about \$15 billion in federal funds are invested in talent development through the public workforce investment system. Trade affected workers have access to an array of

reemployment services through the One-Stop Career Center system authorized under the Workforce Investment Act of 1998 (WIA). The assessment, career counseling, resume writing and interview skills workshops, and placement services available through the One-Stop Career Center system complement the services funded under the Trade Act. To provide workers access to the full array of services they need to be competitive in our global economy, the Department envisions better TAA service integration with the services provided through the One-Stop Career Center system. A reauthorized TAA program must utilize the larger One-Stop delivery system and be connected to the many other Federal job training programs that exist to train and prepare workers.

## **FLAWS IN THE CURRENT PROGRAM**

Current authorization for the TAA program expires on September 30, 2007. The U.S. Department of Labor supports reauthorization of TAA and believes there is a real opportunity to improve the program's effectiveness and the return on our current investment. Although much of the TAA debate is about *who* is eligible for TAA, we believe that the reauthorization must take into account *what* happens to workers who are eligible.

As currently designed, TAA is an "all or nothing" program. By requiring a worker to give up benefits if he/she returns to work, even at a lower paying job or a job that does not provide health coverage, the program creates a disincentive for a worker to accept such employment. Additionally, financial support is only available to trade-impacted workers who are in full-time training – another disincentive to work.

Access to training is also problematic. As the program is currently designed, training options may not be flexible enough to meet worker needs. Workers attempting to access these training options often face barriers, such as strict enrollment deadlines. In addition, many areas confront the challenge of a limited number of training slots for high-demand occupations, and

there is a need for resources to increase the training capacity of local providers; therefore, workers either train for occupations where there is less demand, or languish on waiting lists for extended periods of time waiting for admission to high-growth employment training programs. In a 2006 study of the TAA program looking at five layoffs, the Government Accountability Office (GAO) found that the timing and availability of training programs unnecessarily limited worker training options, thereby reducing their ability to transition into high-growth, high-demand occupations.

Another flaw in the current program is that the Department cannot begin providing services to workers until they are actually laid off. This is true even in cases where the Department is notified of layoffs well in advance, such as in the case of the recent automotive layoffs. Moreover, once the Department actually begins providing services, workers must navigate the complex and confusing system that currently characterizes the TAA program. “Wrap around” services, such as counseling, testing, and job placement, provided under WIA, are an important complement to the services provided under TAA, but there is no requirement that programs providing such services to other dislocated workers co-enroll trade-affected workers.

The Department believes that reauthorization provides Congress an opportunity to improve the current TAA program to help workers gain the skills needed to successfully compete in the global economy.

## **PRIORITIES FOR IMPROVING THE TAA PROGRAM**

The Department has identified four overarching priorities to achieve through reauthorization.

### Increased Choice to “Earn and Learn”

The first priority is that trade-affected workers must have increased individual choice to “earn and learn” through the TAA program by having access to transitional benefits, such as education and training post-employment and transitional income support (in certain cases). Benefits under the program should include a menu of “New Economy Worker Services” that allows the worker to choose the option that best fits his or her individual needs. For example, training-related options should allow a worker to combine either full or part-time work with education and training. Similarly, workers should continue to have access to job search and relocation allowances if they are willing to relocate to obtain better employment.

### Improved Access to Education and Training

The second priority for reauthorization is for trade-affected workers to have improved access to education and training. The reauthorization should ensure greater access to post-secondary education and training by providing “New Economy Scholarships”. The New Economy Scholarship should be portable, enabling certified workers to have access to tuition assistance whether they are unemployed or return to employment. Workers should be able to choose to attend training full or part-time and use the funds for tuition, books, fees and required tools.

On-the-job training (OJT) should remain an option for workers, but the current design needs reform and unnecessary restrictions removed. Currently, when a worker participates in OJT, the employer may be reimbursed for up to 50% of the wage rate of the participant to cover the cost of providing the training and additional supervision. OJT is not widely utilized under the current rules, as only 590 workers participated in TAA-funded OJT in 2006. Training funds should be available to pay either the direct costs of required classroom training or the additional

employer costs associated with an OJT opportunity. Changes to the TAA program should be made to allow TAA participants access to apprenticeship programs.

For trade-affected workers to have improved access to education and training, regional economic institutions, such as community colleges, must have the capacity to provide appropriate training. Therefore, a portion of the funds provided under the Community-Based Job Training Grant program should be devoted to enhancing the capacity of training providers, primarily community colleges, to create immediate and needed training programs for trade-affected workers. These funds could improve workers' access to education and training by addressing training capacity issues that would mitigate unnecessary delays in training enrollment, such as having to wait for a semester to start.

#### Early Intervention

The third priority for reauthorization is that trade-affected workers must have access to education and training prior to layoff. As stated earlier, although workers threatened with separation may be certified as eligible for TAA, the current law does not afford services, allowances, or training to workers until they are totally or partially separated. Beginning training prior to layoff could shorten the duration of unemployment or entirely prevent the worker from experiencing the trauma of unemployment by providing the skills necessary to secure new employment before the layoff occurs.

#### Integration with the Workforce Investment System

The fourth priority for reauthorization is that trade-affected workers must be able to access services through a streamlined and efficient workforce investment system — one that is customer focused and does not arbitrarily limit services. Currently, in many states, state employment service staff and managers, funded partly by Wagner-Peyser and partly with TAA

administrative funds, administer much, or all, of the TAA program at the local level. In other states, local WIA staff provide TAA services. As encouraged by the Department through administrative guidance and technical assistance, TAA services should be delivered through an integrated One-Stop Career Center delivery system.

These changes could streamline access to career counseling, assessment, and career and employment information, thereby helping the worker make informed choices about the options available to him or her. Moreover, this reform could improve access to other supportive services such as transportation assistance or subsidized child care through programs available at One-Stop Career Centers.

## **ADMINISTRATIVE IMPROVEMENTS TO THE TAA PROGRAM**

The Department has made several important administrative improvements to the TAA program over the past several years. These improvements are especially evident in the areas of fiscal management, performance, and petition processing.

### **Fiscal Management**

Prior to 2004, TAA funds were distributed to states on a request basis, leading to a race among the states to request funds. This approach did not result in an equitable distribution that targeted funds to where they were most needed, and states were not held accountable for their expenditures. Therefore, in fiscal year 2004, the Department adopted a new TAA allocation formula to fund state TAA needs more equitably and ensure that current year funds are allocated efficiently to meet current year TAA training needs. In addition, the Department holds 25 percent of available TAA funds in reserve, which allows us to meet state needs for additional training funds throughout the fiscal year. Although we do not actively try to end the fiscal year with funds still available in the reserve account, the ability of states to begin a new fiscal year with a distribution at the end of the current fiscal year allows us to mitigate the disruptions states

experience under Continuing Resolutions, when funds are not made fully available until well into the fiscal year.

Overall, we believe the adoption of a formula-based methodology for distributing TAA training funds has been a success. Since adopting this formula approach, no state has ended the year without access to additional TAA training funds when they have been able to show that they have expended at least 50 percent of their current year allocation or have otherwise demonstrated need. The Department has, however, become concerned that some states carry a significant level of funds into the new fiscal year, while other states have expended nearly all funds allocated. The “hold harmless” formula provision, which guarantees a state 85 percent of the prior year’s funds, may be causing this imbalance. In implementing the formula, the Department believed that the hold harmless provision was important to ensure funding stability while states were becoming accustomed to the new methodology. Now that states have experience with the formula and the reserve process, the Department is reviewing the current funding formula and believes it is appropriate to consider changes for the next fiscal year.

### Performance

Program performance has long been an issue in the TAA program. The Trade Act contains no provisions that require states to report on program outcomes, nor are there any statutory sanctions or incentives for performance. In fiscal year 2001, the Department implemented a new Trade Act Participant Report (TAPR) to track participant outcomes. Over the past few years, the Department has worked extensively with states to focus attention on the importance of achieving national performance goals for TAA participants. States have shown steady improvements over the past couple of years, and in fiscal year 2006, states surpassed two of the three outcome-based national performance goals, with the third missed only by a narrow margin.



To obtain better information on the performance outcomes of TAA and guide future improvements, DOL has initiated a five-year impact evaluation of TAA, the results of which will be available in 2011.

### Petition Processing

The Department has taken significant steps to improve the speed of petition processing, and we have placed a priority on improving the consistency of case determinations. We have implemented procedures requiring that investigators contact the petitioners in addition to employers, and, in the event of discrepancies in evidence, the investigator is required to reconcile the discrepancy. The Department requires that investigators ensure that all findings have supporting documentation available in the official record. The Department also has an ongoing process of reexamining and revising its policies as necessary, in response to case adjudications. The result of these actions has been that the average processing time for a TAA petition has been reduced from a high in fiscal year 2002 of 96 days, to the current average of 31 days, which is well below the statutorily allowed 40 days.

### **CONCLUSION**

The Department firmly believes that these proposed reforms will help more workers to return to work as quickly as possible in high skill jobs that pay good wages.

I would be pleased to respond to any questions that you or the other members of the Committee may have.